

Translation

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## Summary of Consolidated Financial Results for the Six Months Ended September 30, 2020 (Based on Japanese GAAP)

November 6, 2020

Company name: CRESCO LTD.  
 Stock exchange listing: Tokyo  
 Stock code: 4674 URL <https://www.cresco.co.jp/>  
 Representative: President, Executive Officer Hiroyuki Nemoto  
 Director, Managing Executive Officer, Kazuo Sugiyama  
 General Manager, Accounting & Finance Unit TEL +81-3-5769-8011  
 Scheduled date to file Quarterly Securities Report: November 9, 2020  
 Scheduled date to commence dividend payments: December 1, 2020  
 Preparation of supplementary material on quarterly financial results: No  
 Holding of quarterly financial results meeting: Yes (for analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2020	19,203	(0.1)	1,366	(20.8)	1,844	(2.7)	1,308	14.9
Six months ended September 30, 2019	19,218	12.8	1,726	22.8	1,896	10.2	1,139	5.8

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2020	62.34		-	
Six months ended September 30, 2019	52.74		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2020	28,571	18,602	65.1
As of March 31, 2020	26,770	16,185	60.4

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2020	-	36.00	-	18.00	-
Year ending March 31, 2021	-	18.00	-	-	-
Year ending March 31, 2021 (Forecast)	-	-	-	18.00	36.00

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	40,000	1.7	3,400	(4.4)	3,600	(3.0)	2,450	1.2	116.67

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2020: No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
  - Changes in accounting policies due to other reasons: No
  - Changes in accounting estimates: No
  - Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2020	24,000,000 shares	As of March 31, 2020	24,000,000 shares
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Number of treasury shares at the end of the period

As of September 30, 2020	3,000,323 shares	As of March 31, 2020	3,009,560 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2020	20,992,836 shares	Six months ended September 30, 2019	21,599,264 shares
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**Quarterly consolidated financial statements**  
**Quarterly consolidated balance sheets**

(Thousands of yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	9,407,848	9,772,119
Notes and accounts receivable - trade	7,369,657	6,672,602
Electronically recorded monetary claims - operating	20,902	16,383
Securities	564,629	1,402,586
Money held in trust	50,946	59,045
Merchandise and finished goods	26,879	33,050
Work in process	258,504	350,534
Supplies	1,582	1,504
Other	445,354	569,597
Allowance for doubtful accounts	(1,995)	–
Total current assets	18,144,311	18,877,424
Non-current assets		
Property, plant and equipment	510,703	533,739
Intangible assets		
Goodwill	580,360	706,288
Software	623,079	593,429
Other	12,795	12,770
Total intangible assets	1,216,235	1,312,488
Investments and other assets		
Investment securities	4,533,224	6,076,379
Other	2,473,228	1,879,176
Allowance for doubtful accounts	(107,319)	(107,319)
Total investments and other assets	6,899,132	7,848,236
Total non-current assets	8,626,072	9,694,465
Total assets	26,770,383	28,571,889

(Thousands of yen)

As of March 31, 2020

As of September 30, 2020

	As of March 31, 2020	As of September 30, 2020
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	1,815,951	1,672,342
Short-term borrowings	100,000	100,000
Current portion of long-term borrowings	663,336	673,332
Income taxes payable	418,051	663,845
Provision for bonuses	1,302,151	1,198,664
Provision for loss on order received	29,157	47,278
Other	1,741,514	1,315,773
<b>Total current liabilities</b>	<b>6,070,161</b>	<b>5,671,237</b>
<b>Non-current liabilities</b>		
Long-term borrowings	1,791,938	1,477,783
Long-term accounts payable - other	382,691	382,747
Retirement benefit liability	2,253,345	2,349,697
Asset retirement obligations	81,384	82,072
Lease obligations	4,934	5,509
<b>Total non-current liabilities</b>	<b>4,514,294</b>	<b>4,297,809</b>
<b>Total liabilities</b>	<b>10,584,455</b>	<b>9,969,047</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	2,514,875	2,514,875
Capital surplus	4,473,108	4,475,378
Retained earnings	12,509,598	13,440,424
Treasury shares	(3,357,059)	(3,346,785)
<b>Total shareholders' equity</b>	<b>16,140,523</b>	<b>17,083,892</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	45,838	1,514,300
Foreign currency translation adjustment	0	(475)
Remeasurements of defined benefit plans	(8,579)	(3,019)
<b>Total accumulated other comprehensive income</b>	<b>37,259</b>	<b>1,510,805</b>
<b>Share acquisition rights</b>	<b>8,144</b>	<b>8,144</b>
<b>Total net assets</b>	<b>16,185,927</b>	<b>18,602,842</b>
<b>Total liabilities and net assets</b>	<b>26,770,383</b>	<b>28,571,889</b>

**Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income**  
**Quarterly consolidated statements of income**

(Thousands of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	19,218,564	19,203,466
Cost of sales	15,632,022	15,948,432
Gross profit	3,586,542	3,255,033
Selling, general and administrative expenses		
Advertising expenses	14,908	15,461
Remuneration, salaries and allowances for directors (and other officers)	756,271	807,863
Provision for bonuses	113,005	117,226
Retirement benefit expenses	23,663	16,551
Legal welfare expenses	107,045	119,363
Recruiting expenses	82,529	78,910
Entertainment expenses	27,363	8,461
Rent expenses on land and buildings	86,110	80,631
Supplies expenses	56,702	30,197
Enterprise tax	86,136	93,976
Other	506,794	519,593
Total selling, general and administrative expenses	1,860,529	1,888,235
Operating profit	1,726,012	1,366,798
Non-operating income		
Interest income	188,339	117,507
Dividend income	60,649	45,340
Gain on sales of securities	17,250	24,120
Gain on valuation of securities	–	11,824
Gain on investments in money held in trust	1,123	8,098
Gain on valuation of derivatives	–	276,093
Subsidy income	9,108	19,177
Share of profit of entities accounted for using equity method	13,293	5,768
Other	13,357	11,058
Total non-operating income	303,122	518,988
Non-operating expenses		
Interest expenses	2,095	3,461
Loss on valuation of securities	23,990	–
Loss on valuation of derivatives	48,111	–
Commission for purchase of treasury shares	23,232	–
Investment advisory fee	28,182	27,971
Other	7,303	9,580
Total non-operating expenses	132,916	41,013
Ordinary profit	1,896,218	1,844,773

(Thousands of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Extraordinary income		
Gain on sales of investment securities	1,596	147,529
Gain on redemption of investment securities	–	896
Surrender value of insurance policies	4,840	6,518
Other	46	–
Total extraordinary income	6,484	154,944
Extraordinary losses		
Loss on retirement of non-current assets	780	3,740
Loss on sales of investment securities	2,891	33
Loss on valuation of investment securities	52,059	24,323
Loss on redemption of investment securities	188,087	7,259
Office relocation expenses	6,355	–
Other	2,086	471
Total extraordinary losses	252,260	35,827
Profit before income taxes	1,650,442	1,963,890
Income taxes - current	511,237	625,657
Income taxes - deferred	128	29,579
Total income taxes	511,365	655,236
Profit	1,139,076	1,308,653
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	1,139,076	1,308,653

**Quarterly consolidated statements of comprehensive income**

	(Thousands of yen)	
	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit	1,139,076	1,308,653
Other comprehensive income		
Valuation difference on available-for-sale securities	(169,524)	1,468,461
Foreign currency translation adjustment	–	(475)
Remeasurements of defined benefit plans, net of tax	9,396	5,559
Total other comprehensive income	(160,128)	1,473,545
Comprehensive income	978,948	2,782,198
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	978,948	2,782,198
Comprehensive income attributable to non-controlling interests	–	–

**Consolidated statements of cash flows**

(Thousands of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Profit before income taxes	1,650,442	1,963,890
Depreciation	105,294	130,670
Increase (decrease) in provision for bonuses	(46,097)	(103,486)
Increase (decrease) in provision for loss on order received	53,738	18,121
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(14,800)	–
Increase (decrease) in retirement benefit liability	58,570	96,351
Interest and dividend income	(248,988)	(162,848)
Loss (gain) on sales of securities	(17,250)	(24,120)
Share of loss (profit) of entities accounted for using equity method	(13,293)	(5,768)
Loss (gain) on sales of investment securities	1,294	(147,495)
Loss (gain) on valuation of investment securities	52,059	24,323
Loss (gain) on redemption of investment securities	188,087	6,362
Loss (gain) on valuation of derivatives	48,111	(276,093)
Decrease (increase) in trade receivables	638,834	849,290
Decrease (increase) in inventories	(150,340)	(98,033)
Increase (decrease) in trade payables	224,620	(236,407)
Increase (decrease) in long-term accounts payable - other	14,778	56
Increase (decrease) in accrued consumption taxes	(31,423)	(227,212)
Other, net	(332,428)	(291,935)
Subtotal	2,181,208	1,515,664
Interest and dividends received	246,816	166,368
Interest paid	(2,884)	(3,464)
Income taxes paid	(734,774)	(377,751)
Net cash provided by (used in) operating activities	1,690,365	1,300,816



(Thousands of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from investing activities		
Payments into time deposits	(600)	(600)
Purchase of securities	(129,570)	(32,282)
Proceeds from sales of securities	299,137	27,629
Purchase of property, plant and equipment	(46,821)	(58,101)
Purchase of intangible assets	(265,296)	(60,257)
Purchase of investment securities	(1,951,064)	(2,099,122)
Proceeds from sales of investment securities	678,275	332,679
Proceeds from redemption of investment securities	704,264	2,020,840
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(147,915)
Purchase of shares of subsidiaries and associates	–	(102,000)
Proceeds from cancellation of insurance funds	23,112	18,515
Other, net	(53,652)	(81,348)
Net cash provided by (used in) investing activities	(742,215)	(181,961)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	10,000	–
Proceeds from long-term borrowings	2,000,000	–
Repayments of long-term borrowings	(157,918)	(376,618)
Repayments of lease obligations	(1,187)	(1,001)
Dividends paid	(371,918)	(377,469)
Purchase of treasury shares	(1,853,752)	(95)
Net cash provided by (used in) financing activities	(374,776)	(755,184)
Effect of exchange rate change on cash and cash equivalents	–	0
Net increase (decrease) in cash and cash equivalents	573,373	363,670
Cash and cash equivalents at beginning of period	6,201,204	9,384,749
Cash and cash equivalents at end of period	6,774,578	9,748,420